

Southwestern VT Medical Center

Fiscal Year 2016 budget analysis

Report Date:

8/6/2015

Southwestern VT Medical Center

Thomas Dee - CEO

Steven Majetich - CFO

Summary Budget to Budget Increase

The 2016 budget shows a 3.6% increase over the 2015 budget. The increase over 3% is due to requested revenues to fund health care reform investments. The investments are explained in the narrative. There are a number of new programs and physician changes that are influencing shifts in payer revenues that the hospital will explain.

Utilization is projected to be 9.4% lower, though the budget does include 13 new FTEs, many for clinical services. This is resulting in unfavorable productivity measures. It is unclear whether the budgeted utilization declines are considered permanent.

The operating surplus is budgeted at 3.0% of net revenues; this is the same as the margin in 2015. The latest financial projections for 2015 show that a higher NPR is expected and the operating surplus will meet the budgeted level.

The cost shift is increased by \$1.1 million. The cost shift is primarily related to Medicaid since improved Medicare reimbursement will lower its cost shift and bad debt and free care will see some minor improvement.

Issues to Address at the Hearing

Discuss the rate increase and the effects on your commercial payers.

Describe the reasons for the large shifts being seen from Commercial to Medicaid.

Discuss the improving trends being seen in bad debt and free care the last few years.

Discuss the utilization expectations around the new and enhanced programs.

	2014A	2015B	2015P	2016B	B15-B16 Change	B15-B16 % Change
Net Patient Care Revenue	\$ 139,410,223	\$ 139,041,542	\$ 140,468,618	\$ 144,025,568	\$ 4,984,026	3.6%
Other Operating Revenue	\$ 4,177,405	\$ 1,986,231	\$ 2,012,534	\$ 2,022,823	\$ 36,592	1.8%
Total Operating Revenue	\$ 143,587,628	\$ 141,027,773	\$ 142,481,152	\$ 146,048,391	\$ 5,020,618	3.6%

SALARIES NON MD	\$ 44,625,347	\$ 43,217,381	\$ 43,021,913	\$ 44,719,667	\$ 1,502,286	3.5%
FRINGE BENEFITS NON MD	\$ 10,272,576	\$ 11,778,136	\$ 12,209,260	\$ 12,113,267	\$ 335,131	2.8%
FRINGE BENEFITS MD	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!
PHYSICIAN FEES SALARIES CONTRACTS & FRINGES	\$ 25,785,866	\$ 25,810,259	\$ 25,840,440	\$ 26,381,531	\$ 571,272	2.2%
HEALTH CARE PROVIDER TAX	\$ 8,279,735	\$ 8,137,879	\$ 8,324,141	\$ 8,474,050	\$ 336,171	4.1%
DEPRECIATION AMORTIZATION	\$ 5,878,098	\$ 6,246,798	\$ 5,813,594	\$ 6,263,876	\$ 17,078	0.3%
INTEREST - SHORT TERM	\$ 40,962	\$ -	\$ -	\$ -	\$ -	#DIV/0!
INTEREST - LONG TERM	\$ 355,154	\$ 737,300	\$ 418,937	\$ 783,893	\$ 46,593	6.3%
OTHER OPERATING EXPENSE	\$ 42,243,683	\$ 40,878,464	\$ 42,628,705	\$ 42,929,479	\$ 2,051,015	5.0%
Total Expenses	\$ 137,481,421	\$ 136,806,217	\$ 138,256,990	\$ 141,665,763	\$ 4,859,546	3.6%
Net Operating Income	\$ 6,106,207	\$ 4,221,556	\$ 4,224,162	\$ 4,382,628	\$ 161,072	3.8%
Operating Margin %	4.3%	3.0%	3.0%	3.0%	0.0%	

Southwestern VT Medical Center

Key Indicators	Actual 2013	Actual 2014	Budget 2015	Projected 2015	Budget 2016	Actual 2014-Budget 2015	Budget 2015- Budget 2016
Utilization							
Acute Care Ave Daily Census	36.8	34.5	36.5	36.1	33.2	2.0	-3.3
Total Average Daily Census	40	37	40	39	36	3	-3.6
Acute Average Length of Stay	3.3	3.5	3.5	3.8	3.6	-0.1	0.2
Acute Admissions	4,055	3,544	3,847	3,436	3,355	303	-492.0
Total Beds (Staffed)	86	86	86	86	86	0	0.0
Adjusted Admissions	15,770	15,662	16,384	14,528	14,849	722	-1,535.2
Adjusted Days	52,237	55,583	56,721	55,686	53,815	1,138	-2,906.0
Capital							
Age of Plant	13.3	15.1	15.3	16.3	16.1	0.2	0.8
Long Term Debt to Capitalization	29.4%	26.9%	31.4%	46.6%	54.0%	4.5%	22.6%
Capital Expenditures to Depreciation	81.4%	106.1%	208.1%	129.0%	155.2%	102.0%	-52.9%
Debt per Staffed Bed	475,571	491,550	477,202	676,608	751,882	-14,348	274,680
Net Prop, Plant & Equip per Staffed Bed	286,623	289,913	380,704	309,523	436,222	90,791	55,517
Debt Service Coverage Ratio	12.2	13.3	6.1	11.2	6.3	-7.2	0.2
Revenue							
Deduction %	48.5%	51.0%	52.6%	51.4%	52.0%	1.6%	-0.6%
Bad Debt % of Gross Revenue	1.9%	2.0%	2.0%	2.0%	1.7%	0.0%	-0.3%
Free Care % of Gross Revenue	0.7%	0.7%	0.8%	0.5%	0.7%	0.1%	-0.1%
Operating Margin %	3.3%	4.3%	3.0%	3.0%	3.0%	-1.3%	0.0%
Total Margin %	4.4%	4.7%	3.4%	3.5%	3.4%	-1.3%	0.0%
All Net Patient Revenue % of Gross Rev	50.7%	48.0%	46.4%	47.7%	47.3%	-1.7%	1.0%
Medicare Net Patient Revenue % of Gross Rev (incl Phys)	41.1%	38.5%	34.7%	38.9%	35.4%	-3.9%	0.7%
Medicaid Net Patient Revenue % of Gross Rev (incl Phys)	38.4%	35.6%	32.5%	35.2%	34.2%	-3.1%	1.7%
Comm/self pay Net Patient Revenue % of Gross Rev (incl Phys)	69.5%	68.4%	69.2%	67.4%	72.1%	0.8%	2.9%
Productivity							
Adjusted Admissions Per FTE	19.6	19.8	22.3	19.8	19.9	2.5	-2.5
FTEs per 100 Adj Discharges	5.1	5.1	4.5	5.1	5.0	-0.6	0.6
Overhead Expense w/ fringe, as a % of Total Operating Exp	25.4%	25.5%	27.5%	27.8%	28.6%	2.0%	1.2%
FTEs Per Adjusted Occupied Bed	5.6	5.2	4.7	4.8	5.1	-0.5	0.3
Cost							
Cost per Adjusted Admission	8,858	8,778	8,350	9,516	9,540	(428)	1,191
Salary & Benefits per FTE - Non-MD	72,909	69,279	74,865	75,084	75,986	5,586	1,121
Compensation Ratio	57.3%	56.2%	57.3%	56.9%	57.0%	1.1%	-0.3%
Capital Cost % of Total Expense	4.8%	4.6%	5.1%	4.5%	5.0%	0.5%	-0.1%
Liquidity							
Current Ratio	2.1	2.1	2.4	2.0	1.9	0.3	(0.5)
Days Cash on Hand	52.5	61.9	62.4	59.7	59.1	0.5	(3.3)
Cash to Long Term Debt	2.0	2.4	1.4	2.5	1.3	(1.0)	(0.2)
Payer							
DSH % of Total NPR	1.6%	1.9%	2.1%	1.9%	1.4%	0.2%	-0.7%
Medicaid % of Total NPR (incl. DSH)	12.3%	12.3%	11.2%	13.9%	13.1%	-1.1%	1.9%
Medicare % of Total NPR (incl. DSH)	38.5%	39.0%	35.8%	38.1%	35.9%	-3.2%	0.1%
Commercial % of Total NPR (incl. DSH)	47.7%	46.8%	51.0%	46.2%	49.7%	4.2%	-1.3%
Employed							
Non-MD FTEs	803.0	792.4	734.6	735.6	747.9	(57.8)	13.3
Physician FTEs	58.2	57.5	80.9	76.7	83.6	23.5	2.6
Travelers	-	-	-	-	-	-	-
Outpatient							
All Outpatient Visits	232,554	238,802	233,019	256,514	245,216	(5,783)	12,197
Operating Room Procedure	2,643	2,588	2,630	2,470	2,421	42	(209)
Observation Units	868	1,172	1,243	1,088	1,179	71	(64)

- 1a) SVMC is requesting a 3.8% overall rate increase. Is that the amount, on average, the additional amount that commercial payers will be paying? Describe the different reimbursement agreements you may have when contracting with commercial payers.
- 1b) SVMC will increase some prices 6% and other will not have any increase. They state that this is a strategic move to keep certain prices competitive. Discuss the strategy and explain what the source of your information is to examine pricing.
- 2) Bad debt and free care levels have come down from 2.8% of gross revenues in 2014 to 2.4% budgeted for 2016. Describe the recent changes you have seen in terms caseloads, patient coverages, billing disputes, etc. that might be influencing the changes. Is there any evidence this is related to higher enrollment and/or shift to Medicaid? Describe and changes in reporting that are influencing this.
- 3) The SVMC budget shows a reduction in disproportionate share revenues of over \$932,000. This is worth about a 1% in rates to recover those funds. Why would the revenues move that dramatically in one year?
- 4a) Like last year, SVMC's budget has a number of major shifts related to both revenue and physician program changes. Some changes were related to Budget 15 that did not materialize and other changes are related to new plans for 2016. In general, it appears that new, enhanced physician services are being added to replace loss orthopedic physician services. Is this a permanent change? How does this relate with your affiliation with DHMC? Describe your utilization assumptions for these program changes.
- 4b) SVMC is recruiting for a number of services to meet community needs and enhance existing services. Discuss the recruitment difficulties you are experiencing. Are the issues related to physician shortages? What other factors may be presenting obstacles?
- 5) SVMC says it has budgeted a full year for Sole Community Hospital status and a 1.1% increase for Medicare IP and a 1% for outpatient effective January 2016. SVMC's narrative then goes on to say that it has "NO consideration" for other potential changes. What other potential changes are you referring to and have you quantified it? Also, if Medicare reimbursement is better, why in the net to charge % not showing that?

- 6) There are a number of shifts occurring in the NPR increases to be addressed:**
- a) Medicaid is increasing \$3.3 million of the \$5.0 million NPR increase. This is much higher given Medicaid's share of the business. Explain this change.**
 - b) Medicare shows a \$1.9 million increase, all related to better reimbursement. It also shows a large decrease in physician utilization. Explain these changes.**
 - c) Commercial shows a \$0.7 million increase, a \$3.1 million rate effect offset by utilization reductions. Explain this change.**
- 7) Are the projections filed with the FY 2016 Budget still valid for 2015? If materially different, provide an updated profit and loss for FY 2015.**
- 8) You note that you are saving over \$1 million dollars related to a “pension credit”. Discuss how this can occur. Who determines the amount of the credit?**
- 9) There is a noticeable reduction in the fund balance. What is the significant shift to non-current liabilities? Describe the changes in the balance sheet and how they relate to your parent organization. What is your access to cash from the parent organization?**
- 10) SVMC describes a number of administrative initiatives intended to save money around operational efficiencies. Does this effort include analyses for improving physician practices management and operations?**
- 11) Briefly discuss the health care reform investments SVMC is making and how you evaluate the use and returns expected on those funds.**
- 12) Describe the status of your 340 B program – you have noted some savings in expenses. Describe both the expenses and revenues associated with the program.**

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PROFIT & LOSS STATEMENT

	2014A	2015B	2015P	2016B	2015B- 2015B-2016B	2016B
REVENUES						
INPATIENT	\$64,429,940	\$68,947,480	\$68,345,246	\$67,827,160	-\$1,120,320	-1.6%
OUTPATIENT	\$220,313,516	\$224,697,060	\$220,636,956	\$232,370,945	\$7,673,885	3.4%
PHYSICIAN	\$0	\$0	\$0	\$0	\$0	0.0%
CHRONIC REHAB	\$0	\$0	\$0	\$0	\$0	0.0%
SNF/ECF	\$0	\$0	\$0	\$0	\$0	0.0%
SWING BEDS	\$0	\$0	\$0	\$0	\$0	0.0%
GROSS PATIENT CARE REVENUE	\$284,743,456	\$293,644,540	\$288,982,202	\$300,198,105	\$6,553,565	2.2%
DISPROPORTIONATE SHARE PAYMENTS	\$2,642,412	\$2,884,892	\$2,651,656	\$1,951,947	-\$932,945	-32.3%
BAD DEBT	-\$5,706,387	-\$5,850,000	-\$5,816,724	-\$5,200,000	\$650,000	11.1%
FREE CARE	-\$1,994,336	-\$2,360,000	-\$1,479,336	-\$2,000,000	\$360,000	15.3%
GRADUATE MEDICAL EDUCATION	\$0	\$0	\$0	\$0	\$0	0.0%
DEDUCTIONS FROM REVENUE	-\$140,274,922	-\$149,277,890	-\$143,869,180	-\$150,924,484	-\$1,646,594	-1.1%
NET PATIENT CARE REVENUE	\$139,410,223	\$139,041,542	\$140,468,618	\$144,025,568	\$4,984,026	3.6%
OTHER OPERATING REVENUE	\$4,177,405	\$1,986,231	\$2,012,534	\$2,022,823	\$36,592	1.8%
TOTAL OPERATING REVENUE	\$143,587,628	\$141,027,773	\$142,481,152	\$146,048,391	\$5,020,618	3.6%
OPERATING EXPENSE						
TOTAL OPERATING EXPENSE	137,481,421	136,806,217	138,256,990	141,665,763	\$4,859,546	3.6%
NET OPERATING INCOME (LOSS)	\$6,106,207	\$4,221,556	\$4,224,162	\$4,382,628	\$161,072	3.8%
NON-OPERATING REVENUE	\$640,960	\$575,000	\$749,829	\$600,000	\$25,000	4.3%
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	\$6,747,167	\$4,796,556	\$4,973,991	\$4,982,628	\$186,072	3.9%

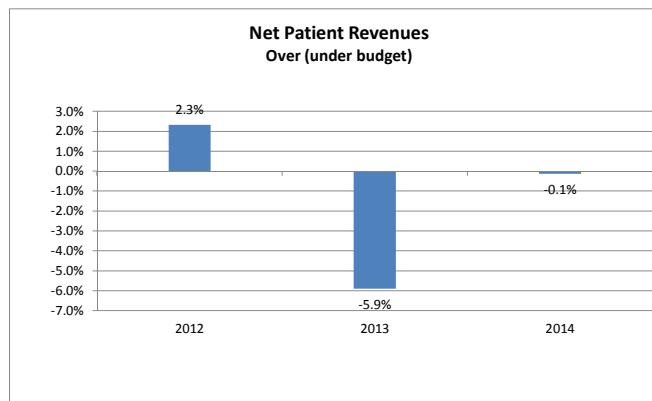
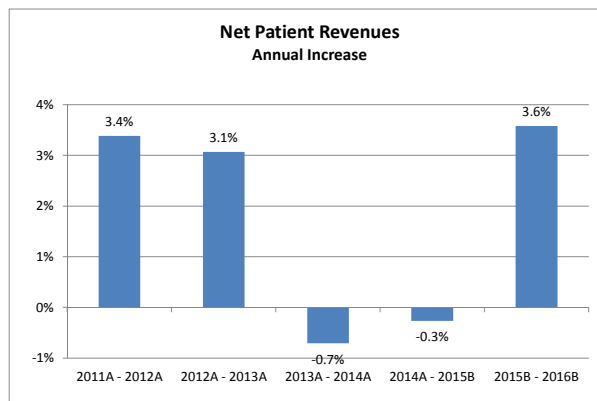
Physician revenue activity is included in the Outpatient revenue line. GMCB staff are working with hospitals to consistently align and report the information.

Favorable changes in bad debt and free care will be discussed.

340 B program (pharmacy) is discussed in narrative as a savings initiative.

Higher expenses are driven by wage increases (3%), 13 new FTEs, and non-salary expenses related to OneCare, DH affiliation, IT, new programs (see narrative). They have seen savings in employee benefits.

Operating income is budgeted at 3%, the same level as Budget 2015.



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NET PATIENT REVENUE PAYER MIX

Payer mix describes the reimbursement and patient change that occurs from year to year.

Net Patient Revenue - All	Bud 15 Total	Bud 16 Total	Change
Disproportionate share	\$ 2,884,892	\$ 1,951,947	\$ (932,945)
Medicaid	\$ 15,541,961	\$ 18,845,657	\$ 3,303,696
Medicare	\$ 49,750,620	\$ 51,697,659	\$ 1,947,039
Commercial/self pay/Wcomp	\$ 70,864,069	\$ 71,530,305	\$ 666,236
TOTAL	\$ 139,041,542	\$ 144,025,568	\$ 4,984,026
			3.6%

NPR shows a 3.6% increase over the 2015 budget. This increase can be described as follows:

	Millions	% Share
Rate Increase	\$ 3.1	2.2%
Physician Practice Transfers	\$ 0.6	0.4%
Bad Debt/Free Care Improvement	\$ 1.0	0.7%
Disproportionate Share Loss	\$ (0.9)	-0.7%
Utilization Gain/Loss	\$ (3.5)	-2.5%
Health Care Reform Investments	\$ 2.2	1.6%
Other Change	\$ 2.5	1.8%
	\$ 5.0	3.6%

This schedule presents net patient revenue change for the hospital. Essentially, this is a summary of who will pay the bill for the increases in the budget.

The 2016 budget shows a 3.6% increase over the 2015 budget. The increase over 3% is due to investments for health care investments of \$2.2 million. These are described in the narrative.

Favorable changes in bad debt/free care were offset some by a reduction in disproportionate share revenues.

Utilization is budgeted to decline \$3.5 million. This is offset some by "other changes" such as better reimbursement and favorable changes in mix of services.

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NET PATIENT REVENUE PAYER MIX

Payer mix describes the reimbursement and patient change that occurs from year to year.

Net Patient Revenue - Hospital	Bud 15 Total	Bud 16 Total	Change
Disproportionate share	\$ 2,884,892	\$ 1,951,947	\$ (932,945)
Medicaid	\$ 12,196,059	\$ 13,232,849	\$ 1,036,790
Medicare	\$ 38,677,660	\$ 41,487,905	\$ 2,810,245
Commercial/self pay/Wcomp	\$ 60,479,587	\$ 61,649,277	\$ 1,169,690
TOTAL	\$ 114,238,198	\$ 118,321,978	\$ 4,083,780

Net Patient Revenue - Physician	Bud 15 Total	Bud 16 Total	Change
Disproportionate share			\$ -
Medicaid	\$ 3,345,902	\$ 5,612,808	\$ 2,266,906
Medicare	\$ 11,072,960	\$ 10,209,754	\$ (863,206)
Commercial/self pay/Wcomp	\$ 10,384,482	\$ 9,881,028	\$ (503,454)
TOTAL	\$ 24,803,344	\$ 25,703,590	\$ 900,246

Net Patient Revenue - All	Bud 15 Total	Bud 16 Total	Change
Disproportionate share	\$ 2,884,892	\$ 1,951,947	\$ (932,945)
Medicaid	\$ 15,541,961	\$ 18,845,657	\$ 3,303,696
Medicare	\$ 49,750,620	\$ 51,697,659	\$ 1,947,039
Commercial/self pay/Wcomp	\$ 70,864,069	\$ 71,530,305	\$ 666,236
TOTAL	\$ 139,041,542	\$ 144,025,568	\$ 4,984,026

This schedule breaks out the net patient revenue changes between hospital and physician services.

You will note that the B15-B16 changes by payer may very well differ significantly when examining hospital vs. physician. This is because price changes, reimbursement, and utilization will differ for those services.

Our analysis finds a significant increase in Medicaid NPR relative to its share of the business. SVMC will explain this Medicaid increase.

In addition, we find a \$.9 million reduction in physician Medicare revenue but a \$2.8 million corresponding increase in Medicare hospital. It appears to be shifts in utilization. SVMC will address that as well.

The disproportionate share change has been verified and a reduction will have an unfavorable effect on rate.

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RATE TREND AND SOURCE OF REVENUES

Rate is the average change in price for services provided.

	Budget 2013 Approved	Budget 2014 Approved	Budget 2015 Approved	Budget 2016 Submitted	Average Annual 2013-2015
Southwestern VT Medical Center	9.9%	7.2%	4.5%	3.8%	7.2%
Weighted Average All Hospitals				4.3%	

	Bud 16 Total	Gross revenue from Rates	Net revenue from Rates
Hospital Inpatient	6.0%		
Hospital Outpatient	6.0%		
Professional Services	0.0%		
Nursing Home	0.0%		
Summary price request	3.8%	\$ 11,138,107	\$ 3,088,136



Commercial Payer	Self Pay/Other	Medicaid	Medicare	Other
\$ 3,088,136	\$ -	\$ -	\$ -	

		Gross Revenue from Other	Net revenue from Other
Utilization			\$ (3,503,568)
Physician Acquisition or reduction			\$ 604,011
Free care			\$ 360,000
Bad debt			\$ 650,000
Dispro share change			\$ (932,945)
Other NPR changes			\$ 518,392
Other changes *			\$ 4,200,000
Summary Other (non-price) request		\$ (4,584,542)	\$ 1,895,890

Commercial Payer	Self Pay/Other	Medicaid	Medicare	DSH
\$ (3,693,445)	\$ -	\$ 1,169,596	\$ (979,719)	\$ -
\$ 261,545	\$ -	\$ 134,100	\$ 208,366	\$ -
\$ 360,000	\$ -	\$ -	\$ -	\$ -
\$ 650,000	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ (932,945)
\$ -	\$ -	\$ -	\$ 518,392	\$ -
\$ -	\$ -	\$ 2,000,000	\$ 2,200,000	\$ -
\$ (2,421,900)	\$ -	\$ 3,303,696	\$ 1,947,039	\$ (932,945)

Total NPR Increase Due to Price and Other	\$ 6,553,565	\$ 4,984,026
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\$ 666,236	\$ -	\$ 3,303,696	\$ 1,947,039	\$ (932,945)
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The rate increase is 3.8% with no increase budgeted for physician services and increases for hospital inpatient and outpatient services. The rate increase is expected to raise NPR only from commercial & self pays.

The rate will generate \$3.1 million of the overall \$5.0 million increase in Net patient revenues (NPR).

Other changes in NPR can effect all payers differently. For SVMC, Commercial and Medicare payers show a decrease due to lower utilization while Medicaid shows a significant increase. All payers show an increase due to physician transfer changes. In addition, Medicare has a \$2.2 million increase related to improved reimbursement. The Medicaid increase will be explained.

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UTILIZATION & STAFFING

	2012A	2013A	2014A	2015B	2015P	2016B	B15-B16 Change
Utilization							
ADJUSTED ADMISSIONS	14,404	15,770	15,662	16,384	14,528	14,849	-9.4%
ACUTE ADMISSIONS	3,836	4,055	3,544	3,847	3,436	3,355	-12.8%
AVERAGE LENGTH OF STAY	3.7	3.3	3.5	3.5	3.8	3.6	4.7%
OUTPATIENT OPERATING ROOM PROCEDURE	3,316	2,643	2,588	2,630	2,470	2,421	-7.9%
LABORATORY TESTS	408,739	393,152	384,336	386,939	370,500	390,605	0.9%
EMERGENCY ROOM VISITS	24,537	23,852	23,303	22,958	23,630	22,958	0.0%
RADIOLOGY-DIAGNOSTIC & CT SCANS	55,982	54,449	54,527	48,479	53,334	48,098	-0.8%
MRIs	3,745	3,160	3,419	3,233	3,318	3,440	6.4%
PHYSICIAN OFFICE VISITS	91,254	122,128	129,814	132,828	127,854	140,931	6.1%
CLINIC VISITS	-	-	-	-	-	-	0.0%

Staffing							
NON-MD FTE	822	803	792	735	736	748	13.3
TRAVELERS	-	-	-	-	-	-	0.0
RESIDENTS & FELLOWS	-	-	-	-	-	-	0.0
MLPs	-	-	-	-	-	-	0.0
PHYSICIAN FTEs	48.7	58.2	57.5	80.9	76.7	83.6	2.6
TOTAL MD AND NON MD FTES	870.3	861.2	849.9	815.5	812.3	831.5	16.0
SALARY PER FTE - NON-MD	57,706	57,591	56,315	58,831	58,486	59,790	1.6%
SALARY & BENEFIT PER FTE - NON-MD	73,177	72,909	69,279	74,865	75,084	75,986	1.5%
FTES PER ADJUSTED OCCUPIED BED	5.7	5.6	5.2	4.7	4.8	5.1	7.3%
FTES PER 100 ADJUSTED DISCHARGES	5.7	5.1	5.1	4.5	5.1	5.0	12.3%

Budgeted 2016 utilization (adjusted admissions) shows a decline from 2015 budget levels.

Budget 2016 has added physician practices. There is also a large decrease in operating room procedures while they are in the process of recruiting orthopedic surgeons.

Non MD staffing is increasing by 13, many related to new programs and clinical needs.

Productivity indicators are trending unfavorably as utilization is lower and FTEs are being added.

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BALANCE SHEET & INDICATORS

	2014A	2015B	2015P	2016B
Cash & Investments	\$16,605,898	\$15,743,751	\$15,500,000	\$15,392,939
Total Current Assets	\$35,180,105	\$34,495,566	\$33,547,380	\$33,709,020
Total Board Designated Assets	\$5,717,614	\$6,578,544	\$6,163,037	\$6,527,639
Total Net, Property, Plant And Equipment	\$24,932,530	\$32,740,578	\$26,618,938	\$37,515,062
Other Long-Term Assets	\$1,403,677	\$1,766,143	\$1,766,143	\$1,800,000
Total Assets	\$67,233,926	\$75,580,831	\$68,095,498	\$79,551,721
Total Current Liabilities	\$19,445,687	\$17,251,000	\$19,875,385	\$21,081,000
Long-Term Debt	\$9,166,975	\$15,798,000	\$8,656,641	\$17,451,641
Other Noncurrent Liabilities	\$13,660,642	\$7,990,371	\$29,656,238	\$26,129,214
Total Fund Balance	\$24,960,622	\$34,541,460	\$9,907,235	\$14,889,866
Total Liabilities and Equities	\$67,233,926	\$75,580,831	\$68,095,499	\$79,551,721

The hospital's overall balance sheet show an increase in assets. Cash and Board Designated Assets are at the same levels as the previous year.

Debt is higher as SVMC plans to borrow \$10 million for its capital budget.

Net assets (fund balance) have declined with an apparent transfer to Other Noncurrent Liabilities - SVMC will address at the hearing.

Hospital				
Net Increase/Decrease in Cash	\$ 3,003,978	\$ 5,851,624	\$ (1,105,897)	\$ (350,812)
Days Cash on Hand	62	62	60	59
Cash to Long Term Debt	2.4	1.4	2.5	1.3
Long Term Debt to Capitalization	26.9%	31.4%	46.6%	54.0%
Debt Service Coverage Ratio	13.3	6.1	11.2	6.3

SVMC's cash is expected to decline in Budget 2016. Debt indicators also show much higher borrowing levels in the next year.

Cash measure compare unfavorably against the system average.

System Average				
Net Increase/Decrease in Cash	\$ 54,485,472	\$ 74,776,400	\$ 21,398,061	\$ (11,067,200)
Days Cash on Hand	176	181	185	180
Cash to Long Term Debt	1.9	1.6	1.7	1.7
Long Term Debt to Capitalization	29.6%	32.3%	32.6%	31.3%
Debt Service Coverage Ratio	3.3	3.1	2.9	2.8

The debt position is unfavorable compared to the system. This is in part due to available assets being held at SVMC's parent company and thus do not show in these calculations.

Southwestern VT Medical Center

CAPITAL BUDGET

	2014 Actuals	2015 Budget Approved	2015 Projection	2016 Budget	2017 Plan	2018 Plan	2019 Plan
Non-Certificate of Need Capital Purchases	\$6,234,386	\$13,000,000	\$7,500,000	\$9,720,500	\$10,900,000	\$8,850,000	
Certificate of Need Capital Plans		\$600,000	\$0	\$7,440,000	\$1,100,000	\$11,500,000	\$7,500,000
Total Capital Purchases	\$6,234,386	\$13,600,000	\$7,500,000	\$17,160,500	\$12,000,000	\$20,350,000	\$7,500,000

Hospital					
Age of Plant (years)	15.1	15.3	16.3	16.1	helps understand the status of all fixed assets
Capital Expenditures to Depreciation	106.1%	208.1%	129.0%	155.2%	helps to understand current level of capital spend
Capital Cost % of Budget	4.6%	5.1%	4.5%	5.0%	helps understand relative share of depr & interest

System Average				
Age of Plant (years)	10.2	10.9	11.0	11.9
Capital Expenditures to Depreciation	80.6%	122.4%	131.0%	95.1%
Capital Cost % of Budget	5.9%	6.0%	5.9%	5.8%

Age of plant is increasing in Bud 16 and compares unfavorably with the Vermont hospital system. SVMC has plans to increase capital spending to address their Age of Plant. The lower SVMC spending in prior years explains why the capital cost % of budget is lower.

Non CON capital items include both building improvements and equipment, including \$1.1 million for Cardiac Care Suite, \$1.4 million Orthopaedic and Rehab Center, and \$1.5 million Pownal Primary Care Center. Also, SVMC has two CONs planned in 2016, \$3.9 million for the Linear Accelerator and \$3.5 million for Utility Plant.

	2016 Budget	2017 Plan	2018 Plan	2019 Plan
Non Certificate of Need Detail				
Construction in Progress (Non-CON >\$500K)	\$0	\$0	\$0	\$0
Land & Land Improvements (Non-CON >\$500K)	\$0	\$0	\$0	\$0
Total Buildings & Building Improvements (Non-CON >\$500K)	\$4,000,000	\$3,900,000	\$1,100,000	\$0
Total Fixed Equipment (Non-CON >\$500K)	\$0	\$0	\$0	\$0
Total Major Movable Equipment (Non-CON >\$500K)	\$600,000	\$0	\$750,000	\$0
Total Non-Certificate of Need Capital Purchases over \$500,000	\$4,600,000	\$3,900,000	\$1,850,000	\$0
Other Non CON Items under \$500,000	\$5,120,500	\$7,000,000	\$7,000,000	\$-
Total Non-Certificate of Need Capital Purchases	\$9,720,500	\$10,900,000	\$8,850,000	\$-

Certificate of Need Plans				
Wound Care Center (Southwestern VT Medical Center)	\$-	\$600,000	\$-	\$-
Linear Accelerator (Southwestern VT Medical Center)	\$3,940,000	\$-	\$-	\$-
Utility Plant (Southwestern VT Medical Center)	\$3,500,000	\$-	\$-	\$-
Expansion of Emergency Department (Southwestern VT Medical Center)	\$-	\$-	\$4,000,000	\$-
Information Systems (Southwestern VT Medical Center)	\$-	\$-	\$7,500,000	\$7,500,000
Dental Service (Southwestern VT Medical Center)	\$-	\$500,000	\$-	\$-
Total Certificate of Need Proposals	\$7,440,000	\$1,100,000	\$11,500,000	\$7,500,000